HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK

St. Catharines-Niagara CMA

Canada Mortgage and Housing Corporation

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New Home Market

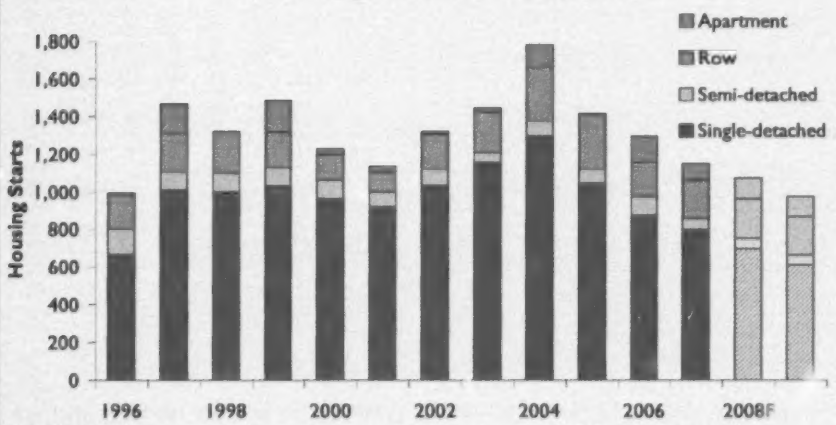
Housing Starts Continue to Trend Down

Weaker demand for new single-detached homes will contribute to a slide in overall new home construction in the St. Catharines-Niagara Census Metropolitan Area (CMA) in 2008. About 1,075 homes will be started in 2008, down 6.4 per cent from 2007. Single-detached home starts are expected to fall almost 13 per cent to 695 units while apartment building construction will increase by around 31 per cent. About 9 per cent fewer new homes, 975, are forecast to be started in 2009.

Concerns about employment and income will negatively affect the demand for new single-detached home starts. Pricier new single-detached homes will shift buyers'

Figure 1

Housing Starts Continue to Fall



Source: CMHC

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attention to more affordable homes types. Overall, both the new and resale markets will softr especially during the second half of the year. Employment levels will remain relatively stable in 2008, but this will not be sufficient to add to demand for new single-detached homes.

Changing labour force composition with more jobs in lower-paid services sectors and decreasing employment in higher-paid manufacturing jobs is one of the key factors affecting housing demand. Together with an aging population trend, it points toward higher demand for resale homes and new higher-density homes as opposed to single-detached homes. Condominium apartments are becoming an attractive option for downsizing households.

The New Home Price Index (NHPI) for Niagara, which measures the prices at which builders sell new homes of equivalent quality, will continue to rise due to land constraints in the northern part of Niagara and, to a much lesser degree, to increasing labour and material costs. The price gap between new single-detached homes and resale homes will slightly widen. The larger price differential will encourage many buyers (especially the first-time buyers) to choose apartments or townhouses, resulting in lower single-detached starts. Although single-detached homes still account for more than half of housing starts, buyers' preferences are shifting more towards the less expensive types of housing.

Resale Market

Resale Market Cools Down

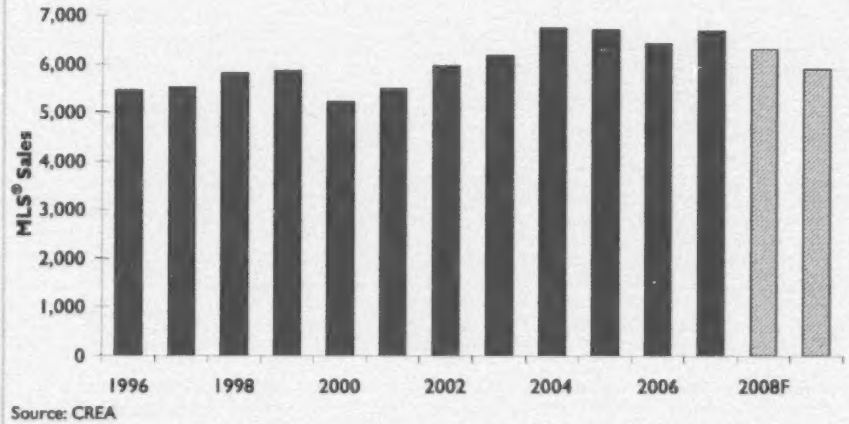
The number of existing home sales will subside to 6,300 in 2008, about 5.5 per cent lower than a year ago and further down to 5,900 in 2009. The slower income growth compared to the growth in mortgage carrying costs has been a factor in declining sales. However, home prices in the region will continue to be much lower when compared to those in Hamilton and Toronto and this will continue to attract migrants and commuters from Toronto and Hamilton to buy homes in the region. Given the large price difference between new homes and resale homes and with more choice of resale homes on the market, demand from newcomers to the region will tend to focus more on the resale market than in the past.

House prices have been rising faster than incomes. The ratio of required income[1] needed to carry the mortgage[2] on an average priced home to actual household income received on average by homeowners in the St. Catharines-Niagara CMA has gone up noticeably compared to 2000, the trough of the current cycle. However, this ratio remains lower than in most other centres in Ontario with the exception of London and Windsor.

The number of new listings is expected to trend down 2 per cent from 2007 to around 11,500 units. With the number of new listings declining at a slower rate than sales, the Sales-to-New Listings Ratio (SNLR), a leading indicator of future price growth and measure of market conditions, will slip to around 55 per

Figure 2

Home Sales Fall in 2008

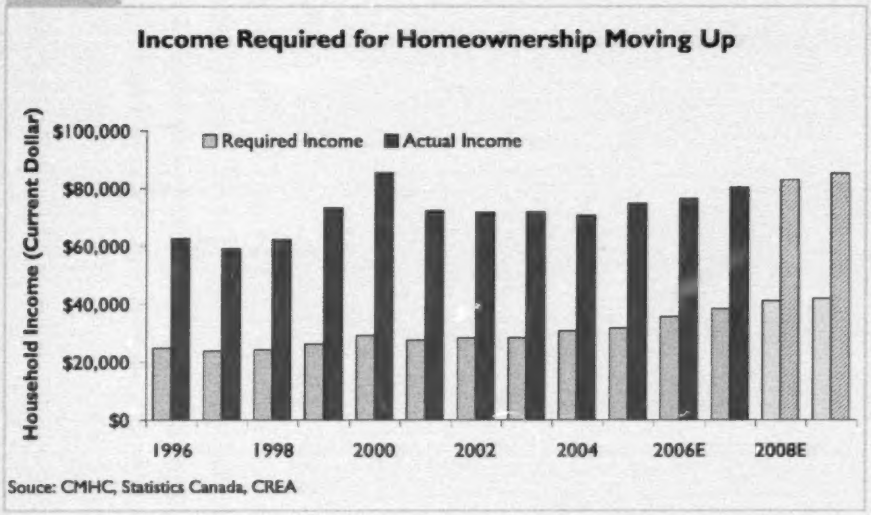


Source: CREA

[1] Required income is mortgage carrying costs divided by 0.32 to reflect the usual 32 per cent gross debt service ratio.

[2] Based on 25 per cent down payment, the average of all lenders' posted fixed five-year mortgage rates, 25 year amortization.

Figure 3



Souce: CMHC, Statistics Canada, CREA

cent. This places the market on the boundary between balanced and favouring sellers. The average price of a resale home is forecast to increase by around 4 per cent to $211,000 in 2008, about the same growth as in 2007. In 2009, the price will continue to edge up by another 2 per cent to $216,000.

Economic Trends

Economic Growth May Rebound

In 2007, employment in the St. Catharines-Niagara CMA increased by 1.8 per cent. Expect a slower increase in 2008 and no increase in 2009. The region's employment structure by age groups continues to change. The general trend of age groups shows that the proportion of older workers (those in the 45-64 age group) in total employment is steadily increasing. A growing share of people in this group was landing jobs in the last few years thereby increasing the employment rate for this age group. The employment number of younger people (those in the 25-44 age group) is steeply declining and approaching to 15-year low level. These changes are due to both the low birth rate in the region and the fact that younger people move out of the region to look for employment opportunities elsewhere. As a result, demand for new homes is declining as evidenced by the lower number of housing starts.

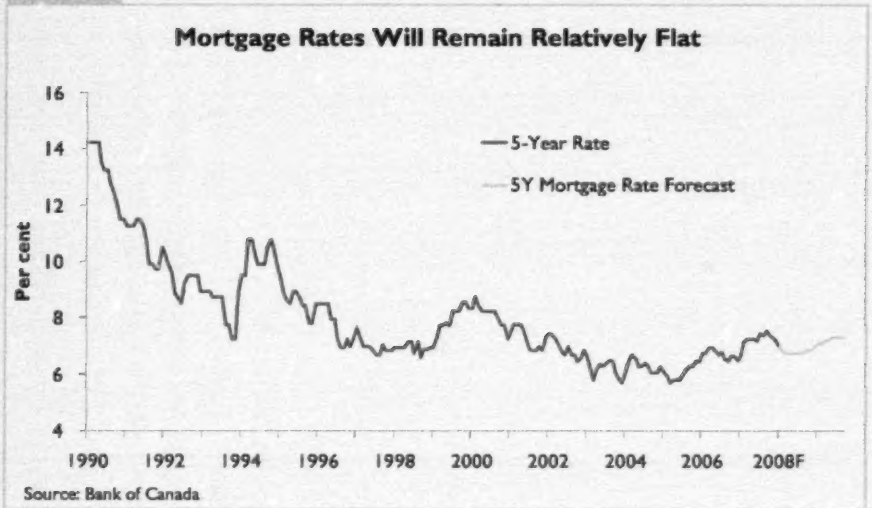
Employment has decreased in the higher-paid goods-producing sectors, such as manufacturing. Conversely, employment in lower-paid services-producing sectors, such as tourism, etc., is trending up. The employment of many part-timers drags the average earnings level down. Therefore, the growth in average weekly earnings will hardly keep up with the growth of either new house price or MLS® price.

The region's economy is more vulnerable than others to the economic developments in the US. To withstand the declining number of US visitors and therefore lower income from tourism, the St. Catharines-Niagara region envisions transitioning gradually to a more diversified economy. According to the Community Benchmarks report, small and mid-sized businesses (particularly businesses with 50 to 99 employees) will lead the transition. Other projects supporting local economic growth include ongoing work on the natural-gas-fired cogeneration plant and Niagara Tunnel construction project. Investment in the manufacturing sector is expected to raise productivity and stabilize employment and output, despite ongoing strength of the Canadian dollar.

According to the 2006 census, population in the St. Catharines-Niagara CMA increased by 3.5 percent during the past 5 years, which is slower than the average of 6.6 per cent in Ontario. The region has the fourth oldest population in Canada with 17.7 per cent of residents aged 65 and above (13.6 per cent in Ontario). The median age of the population is 42.1 compared to Ontario's 39.0.

The growth of population will continue to gradually increase due to net in-migration mostly within international migration category. Following the trend of recent years the natural growth of the region's population is expected to remain around zero.

Figure 4



Mortgage Rates Will Remain Relatively Flat

Posted mortgage rates eased by about 50 basis points in the first four months of this year, although rates in late April were 30 to 35 basis points higher than they were 12 months prior. Mortgage rates are expected to trend marginally lower throughout 2008, but will be within 25-50 basis points of their current levels. For 2009, posted mortgage rates will begin to drift up slightly as the year progresses. For 2008 and 2009, the one-year posted mortgage rate is forecast to be in the 6.50-7.50 per cent range, while three and five-year posted mortgage rates are forecast to be in the 6.75-7.50 per cent range.

Forecast Summary
St. Catharines-Niagara CMA
Spring 2008

	2005	2006	2007	2008f	% chg	2009f	% chg
Resale Market							
MLS® Sales	6,698	6,410	6,668	6,300	-5.5	5,900	-6.3
MLS® New Listings	10,874	11,661	11,710	11,500	-1.8	11,000	-4.3
MLS® Average Price ($)	182,443	194,671	202,313	211,000	4.3	216,000	2.4
New Home Market							
Starts:							
Single-Detached	1,043	873	798	695	-12.9	610	-12.2
Multiples	369	421	351	380	8.3	365	-3.9
Semi-Detached	76	102	60	55	-8.3	50	-9.1
Row/Townhouse	288	184	207	215	3.9	205	-4.7
Apartments	5	135	84	110	31.0	110	0.0
Starts - Total	1,412	1,294	1,149	1,075	-6.4	975	-9.3
Average Price ($):							
Single-Detached	286,920	323,359	342,933	357,000	4.1	363,000	1.7
New Housing Price Index (% chg.)	6.9	4.7	4.1	3.5	-	3.0	-
Rental Market							
October Vacancy Rate (%)	2.7	4.3	4.0	4.0	0.0	3.8	-0.2
Two-bedroom Average Rent (October) ($)	736	752	765	779	-	793	-
Economic Overview							
Mortgage Rate (1 year) (%)	5.80	6.30	7.35	6.95	-0.40	6.83	-0.12
Mortgage Rate (5 year) (%)	6.30	6.45	7.54	7.01	-0.53	6.97	-0.04
Annual Employment Level	191,900	190,200	193,500	194,500	-	194,500	-
Employment Growth (%)	2.4	-0.9	1.7	0.5	-	0.0	-
Unemployment rate (%)	7.0	6.4	6.8	6.7	-0.1	7.0	0.3
Net Migration [1]	88	-543	0	0	0	0	0

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over
(1) 2007 migration data is forecasted

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